

8th February 2021

Dear Stephen,

RE: Railway Infrastructure in Wales

FSB Wales welcomes the opportunity to provide written evidence to the Welsh Affairs Committee to inform the inquiry into Rail Infrastructure in Wales and its place within the Union Connectivity review. This is an issue of significant importance to FSB Wales members in Wales and across the UK.

Rail provides a reliable form of transport as both a complement and an alternative to road and air travel. At the moment, 78 per cent of goods moved in the United Kingdom are transported by road, 13 per cent by water, and only 9 per cent by rail. Infrastructure corridors, such as the M4 in South Wales, are causing unnecessary pollution and congestion. For the government to reach its net zero emissions target it needs to invest in a comprehensive rail network that spans across the entire country.

FSB supported many of the findings put forward by Lord Burns in the South East Wales Transport Commission. Strong empirical data has demonstrated the necessity for the development of rail and new stations on the Cardiff-Bristol route. Budgetary frameworks have unfortunately led to long-term underfunding of rail in Wales. We urge the UK and Welsh governments to work together to deliver on the proposals put forward by the Commission.

- **Where does responsibility lie for rail infrastructure in Wales?**
- **How effectively do the UK and Welsh Governments cooperate with one another in the management, and funding, of rail infrastructure in Wales?**

In terms of delivering on rail improvements and maintaining the infrastructure this is a reserved matter under Network Rail. We would expect that there is regular discussion with Transport for Wales in terms of ensuring the smooth running of the infrastructure and the need for maintenance as well as planning ahead.

In terms of decision making on new infrastructure and strategy, this is similarly largely a reserved matter, although many station improvements and ticketing aspect fall under Welsh Government and there are many cross-dependencies. The Burns Commission report illustrated the cross-dependency of different levels of decision making

in its analysis of South East Wales rail infrastructure, with the budget for the project splitting relatively evenly between the UK and Welsh Governments.

Given that significant functions over rail franchise and wider soft infrastructure fall under Welsh Government, with the cross border implications and mutually dependent needs across the UK, we would expect both Governments to view the rail infrastructure in Wales as an area of shared responsibility. This should involve the pooling of resources and expertise. The aim should be that the end user, passenger or freight, sees a seamless and improving system adapting to modern needs.

Whatever the previous experiences on rail infrastructure, we would concur with the Burns Commission recommendations to implement its recommendations, and that its report provides evidence based solutions, links to holistic needs, and is value for money.

It should also serve as a test case for cross-governmental working in the current UK settlement, with both governments needing to pool resources, and to together drive through the changes needed in a timely fashion. We would expect the Union Connectivity approach to take this review's findings into account and similarly push for UK and Welsh Governments to act together decisively to take this plan forward.

FSB Wales' 2019 report on infrastructure 'Are We There Yet?' made the case for an arm's length standing body (such as the National Infrastructure Commission for Wales (NICW)) that is able to provide:

- a central point of contact to coordinate across different governance levels
- an independent, trusted evidence base for policy
- commands cross-party and cross-government support for a 30 year plan (so depoliticising complex long term projects)
- engagement with key stakeholders, including SMEs

While NICW has yet to fulfil this role, we would point to the recent Burns Commission as being an exemplar for the benefits of such an approach, and we hope the Union Connectivity Commission can provide a similar evidence-based approach that takes partisan heat and lowers the political barriers to getting the changes needed for Wales.

- **Should responsibility for railway infrastructure in Wales be fully devolved?**

For our sector, where power lies is less important than the end results, and a radical improvement of the rail network.

Superficially, there may be an argument that rail infrastructure should follow the recent devolution of the franchise, along with much of the 'soft' infrastructure. However, wherever allocation of responsibilities ends up, there will need to be cross governmental cooperation and coordination, including on funding matters (more opaque following the recent bringing in of Network Rail into the Department for Transport budget).

It is an important test to UK Government's Union Connectivity agenda that if it can work with Welsh Government and provide for Wales' needs in its strategy, so that the question of the efficiency of devolution of rail infrastructure

would be less an issue. If chronic underinvestment and lack of rail improvements in many parts of Wales remain an issue, the question of governance may come into play.

- **What share of investment has Wales secured in its rail infrastructure since privatisation came into effect in 1994, and how sufficient is this level of investment?**
- **How is funding allocated to rail infrastructure projects across the UK and how are the different infrastructure needs of the regions and nations of the UK assessed?**

Our understanding follows that of Cardiff University's budgetary analysis, and that of Welsh Government, that Wales has been underfunded in terms of railway spend.

We would further note that at the UK level any 'Union Connectivity' review must meet the needs of all parts of the UK, and also that an agglomeration effect where public funding to city areas because they are productive is an approach that means areas that success is self-fulfilling. Any 'levelling-up' agenda must take different measures of success and a wider strategy into account.

- **What will be the impact of the Covid-19 pandemic for the railway network in Wales (including the sustainability of services and potential impact on investment in railway infrastructure)?**

This is not within our expertise. We would note that while there will be an impact on confidence and use, there will still need to be high railway use in future, and this needs to form part of strategy.

The Burns Commission noted that during the more open month of August 2020 of the pandemic, the trends in congestion and driving use were moving back towards the pre-Covid peak, so many of the drivers toward multi-modal transport solutions, and decarbonisation are likely to remain as long term trends.

In terms of strategy and planning, as well as infrastructure maintenance and improvement, the pandemic can provide some breathing space to act and put plans in action, before the demand rises again.

- **What opportunities are there for Wales as a result of the recently launched Union Connectivity Review?**

The Union Connectivity review is of vital importance to Wales, with a levelling up agenda and better regional development approach providing the potential for real improvement and significant allocation of funding.

We would expect that it incorporate and develop on the Burns Commission recommendations for South East Wales, but also to take that review into account when looking at the role of a connectivity strategy throughout Wales, but also how it relates to areas such as the Northern Powerhouse (with North Wales) and rural approach, as well as connecting across Wales.

Conclusion

FSB Wales welcomes the opportunity to respond to the Welsh Affairs Committee's inquiry into rail infrastructure in Wales, and we would hope that the Committee will similarly urge both Governments to work constructively and commit to a significant increase in the funding and enhancements of the rail infrastructure in Wales. Wales is an excellent test case in this regard for the Union Connectivity agenda and the ability of the two Governments to work together to provide the practical long term improvements the UK will need in this area.

Yours sincerely,
Ben Cottam

Head of Wales
Federation of Small Businesses Wales

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